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Industrial Distribution

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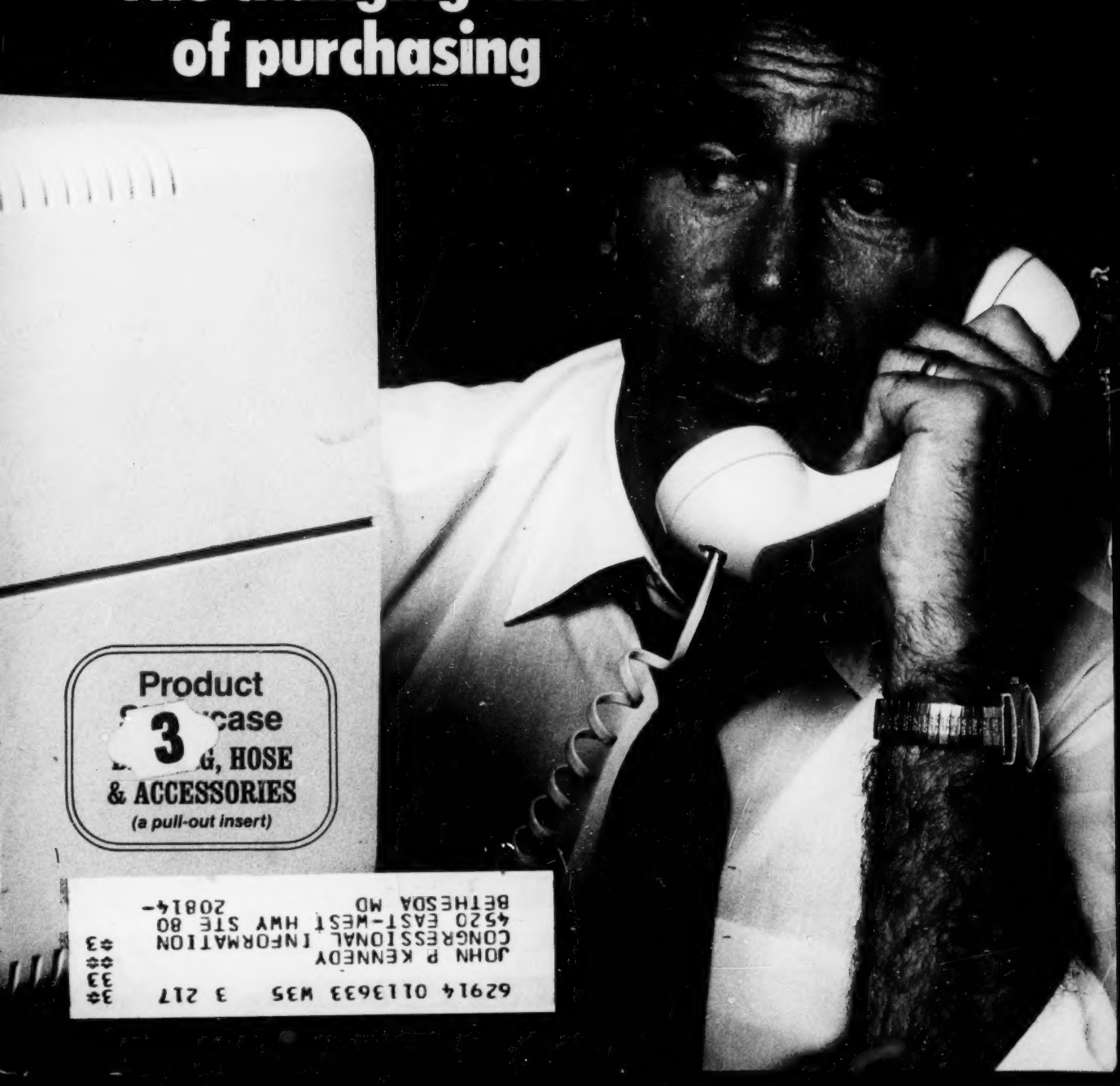
September 1986

Hotline:
An uncertain future poses a dilemma for distributors

The changing face of purchasing



Product
Showcase
3
HOSE & ACCESSORIES
(a pull-out insert)

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33

ID75

Industrial Distribution

VOL. 75, NO. 9/75th yr. A TECHNICAL PUBLISHING PUBLICATION SEPTEMBER 1986

12
INDUSTRY NEWS
PTDA study puts spotlight on power transmission industry and its distributors; NIBA annual meeting in San Diego starts September 28; Bearing distribution growth seen in new BSA study; U.S. process control industry dips in '86,says new study.

42
HOTLINE
Distributors are torn between investing in inventory and waiting for the direction of the economy to stabilize.

44
STRICTLY FOR SALESMEN
Trading in bad for good

BH1
SHOWCASE
Belt, hose and accessories

Industrial Distribution, (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Microfilm or reproductions of issues or articles are available. Write Xerox University Microfilms, Ann Arbor, MI 48106.

36 COVER STORY
THE CHANGING FACE OF PURCHASING

The miraculous computer will never replace the skills of the space-age buyer
Photograph: Rick Barrick.

90
COMPUTER/ TELECOMMUNICATIONS UPDATE

104
MARKETING/ OPERATIONS IDEAS
Rule-tide rebate season again; Update salesforce on pneumatic know-how; Organize meetings more effectively; Conveyorese made simple; Adjustable racking for flexible warehouse; Keep ahead of robotics with industry yearbook; The complete source for fluid power info; Uplifting options for financing; Take more money out of your business.

96
SILVER QUARTERLY INFLATION INDEX

109
REGIONAL
Your best bet.
(Does not appear in all editions)

9 READER SERVICE CARD
23 MEETINGS
27 WASHINGTON REPORT
30 READERS WRITE
32 BUSINESS REPORT
34 LIKE IT OR NOT
112 NEW PRODUCTS
122 IN PRINT
127 READER SERVICE CARD
130 APPOINTMENTS
134 CLASSIFIED ADVERTISING
136 ADVERTISERS INDEX

Indicators...

The latest data from three key trade associations indicates lackluster business conditions as one index gained a few points and two retreated marginally. The NIDA/SIDA *Industrial Distribution Index* for the month of June on a national basis fell again from the previous month, closing at 137.4, a drop of 5.7, not serious in itself but 6.3 below the June level a year ago. Of the four regions reporting, only the East increased over May rising a scant 2.1 in June but bettering its June '85 figure by 1.3. The Midwest, West and South all retreated, by 6.5, 13.2 and 3.9 respectively, below their levels last year...SIDA's *Monthly Sales Trend Report* for May fell by 2.36 from April with Area I (NC, VA, WV) the only bright spot gaining 5.5 over the previous month. Area II (FL, GA, SC, Puerto Rico) dropped 4.82, Area III (AL, KY, MS, TN) slipped 8.04 and Area IV (AR, LA, OK, TX) declined by 6.01. With the exception of Area I, in a May '85/May '86 and year-to-date '85/year-to-date '86 comparison, all other SIDA areas have decreased...The one bright spot was ASMMA's *New Order Index* for May which increased 3.4 points or 2.9% in May to 119.4, reversing the downward trend of the two previous months...The National Welding Supply Assn (NWSA) *Welding Supply Index* for June increased by 4 points over May to 207.1. The current figure is 9.9 higher than June '85. YTD '86 is running 2.1% ahead of YTD '85. The June Index figure has only been exceeded four times in its history...The National Electronic Distributors Assn. (NEDA) shipments increased by 3% in June from May and stand 19% ahead of June of last year and 8% over YTD '85.

will examine the new tax reform bill and its implications for distributors.

Two breakout sesssions will be held on Tuesday morning: "Manufacturers Panel on Conveyor and Elevator Buckets" and "Manufacturers Panel on Lightweight Belt Fabrication." The sessions will be held concurrently and will be repeated once.

An *Encounter* with the title "You Asked For It" will be conducted by a panel comprising distributors and manufacturers on Tuesday afternoon.

Highlights of the meeting's social events will be the opening reception and Mexican fiesta buffet on Sunday and a cocktail reception and dinner dance on Tuesday.

Write in No. 12

BUSINESS REPORT

Regional differences widen

Rarely do all the regions of the country, or areas within the regions, move in tandem. The economics of a region based on its manufacturing base, export-import dependencies, and population density, understandably dictate these differences. However, unique economic factors affecting oil states such as Texas and Colorado, and agricultural states such as Georgia and South Carolina now suffering through a long drought, have exacerbated conditions far beyond other sections of the country where the economy is benefiting from relatively low interest rates (case in point: areas of New York State where new housing construction is near record highs), as well as specialized high tech start-up operations (in states as far apart as Arizona and Massachusetts).

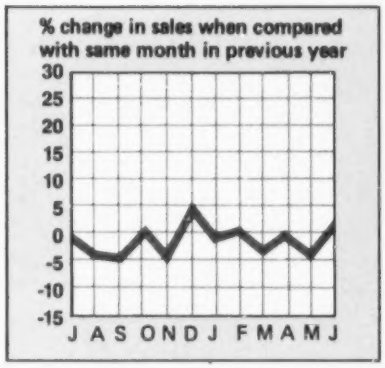
Because distributors tend to be heavily region-oriented, their business statistics may not necessarily agree with other distributors', even in another part of the same state, for example, L.A.-San Diego compared to the San Francisco Bay area. Intrastate comparisons can show even wider discrepancies compared with business statistics compiled by manufacturers. Many manufacturers are selling nationally, not regionally, which is a major difference, and manufacturers do not carry and sell the mix of products most distributors handle, thus customer demands and sales are markedly different. For these reasons, statistics compiled by manufacturers should not be compared to statistics compiled on these pages by and for distribution houses contributing to this monthly report.

Nationally, June '86 vs. June '85 shows a gain of 2% which follows the narrow lackluster pattern going back to January of this year (see graph).

Month-to-month statistics (June '86 vs. May '86) continue weak indicating a drop of 8% (this figure was down 5% last month).

Cumulative comparisons (the first half of '86 compared to '85) is about the same as last month's figure, down 1%.

Receivables are holding around the 40 day mark. **Milt Ellenbogen**



RECEIVABLES*

	June '86 Gen.	June '86 Spec	vs. June '85 Gen.	June '85 Spec.
New England	44	46	47	46
Middle Atlantic	44	45	45	44
South Atlantic	37	37	36	38
East No. Central	40	40	39	41
East So. Central	41	32	43	34
West No. Central	37	40	42	39
West So. Central	—	42	—	37
Mountain	37	—	37	—
Pacific	31	37	37	39
National	39	40	41	40

* Average days outstanding

SALES BY REGIONS (% change)	Jun.'86 vs. May '86 Gen.	Spec.	Both	Jun.'86 vs. Jun.'85 Gen.	Spec.	Both	1st six months'86 vs. 1st six months'85 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+3	−9	−5	+8	−4	+1	−8	−7	−7
Connecticut	—	−6	—	—	−11	—	—	−5	—
Massachusetts	+14	−4	+2	−1	−10	−9	−2	−7	−5
MIDDLE ATLANTIC: NY, NJ, PA	−3	−6	−5	+1	−7	−5	−6	−2	−3
New York Metropolitan Area	—	−1	—	—	−2	—	—	−2	—
Upstate New York	+4	+8	+6	−3	−23	−13	+2	−3	0
Pennsylvania	−15	−15	−15	−5	−7	−6	−7	−2	−3
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−29	−2	−22	−7	−2	−6	+1	−4	−1
Georgia-Florida	−7	−2	−4	−6	0	−2	−9	−5	−7
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	−4	+1	−1	−3	+7	+3	0	+3	+1
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−10	−8	−9	+17	+6	+9	+15	+1	+4
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	−4	—	—	+16	—	—	0	—
Ohio	−12	+1	−4	−24	+8	−6	−13	+4	−4
EAST SOUTH CENTRAL: AL,MS, KY, TN	−1	+19	+6	+15	+19	+17	+14	−3	+7
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+16	−1	+10	+24	+4	+17	−6	0	−4
WEST SOUTH CENTRAL: AK, LA,OK, TX	—	−24	—	—	−20	—	—	−5	—
Texas	—	−20	—	—	−14	—	—	−5	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+3	−13	−1	+6	−15	0	+3	−4	+1
PACIFIC: CA, OR, WA	−12	−4	−6	−2	+1	0	−1	+4	+3
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−13	+1	−4	−5	+5	+1	+5	+10	+8
U.S. TOTALS	−10	−3	−8	+3	+1	+2	−1	−1	−1

ID's QUARTERLY INFLATION INDEX

For the second quarter of 1986 the *Silver/ID Price Index* rose at an annualized rate of only 1.26%, compared to 3.27% for the first quarter. This reduces the annualized rate based on the first six months to the in-between rate of 2.22%. For the entire year of 1985 our index rose by 0.98%; the last 12 months (June '86 vs. June '85) by 1.30%.

As we have pointed out a number of times in the past, the inflation rate for the first quarter tends to overstate substantially the inflation rate for the year as a whole, because many vendors strike their bolt in the first quarter, and in the slack state of the market make no further raises for the rest of the year. The present outlook is that as succeeding quarters moderate the impact of the relatively high first quarter increase in the *Silver/ID Price Index*, by the end of 1986, the actual annual rise in prices is not likely to exceed the 1% of last year.

The *Producer Price Index* for June showed no evidence of a pickup in a sluggish economy. Our own index corroborates this.

Compiled by Alan Silver Associates, Inc., Highland Park, NJ.

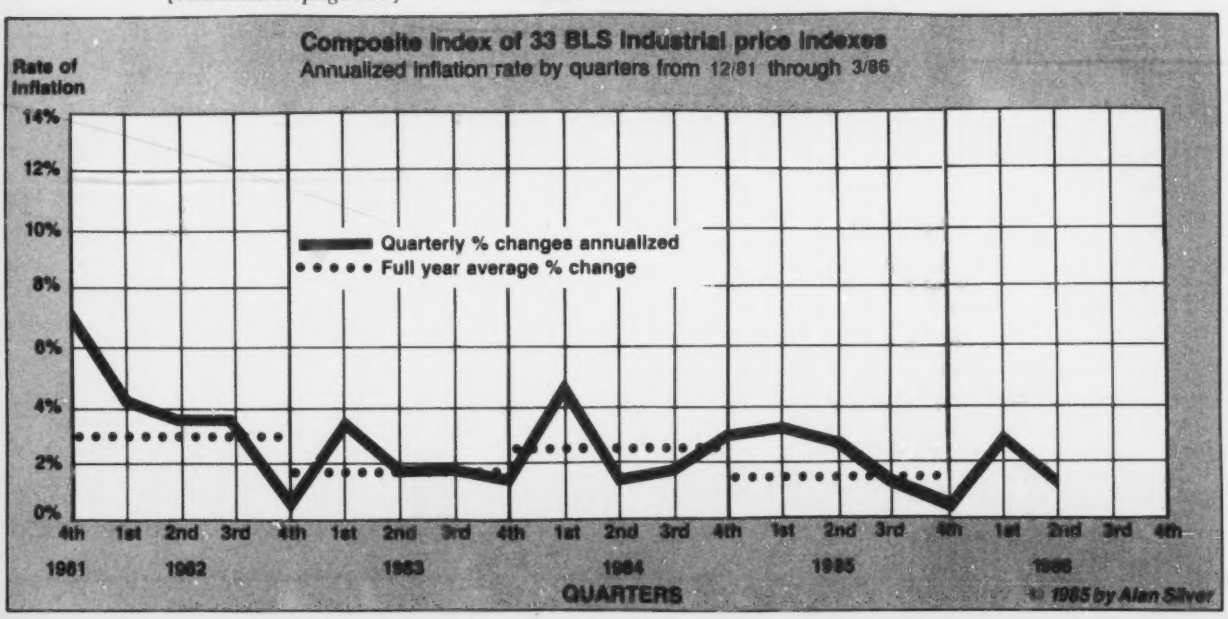
For reprints of Alan Silver's articles on inventory management, write: Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08904.

[*continued on page 100*]

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates(%) Year-to-date		
	6/86 vs 3/86 annualized	6/86 vs 12/85 annualized	6/86 vs 6/85	12/85 vs 12/84
Silver/ID index of 33 industrial products groups	1.26%	2.22%	1.30%	0.98%
NIDA/SIDA index of 10 industrial product groups	2.24%	2.16%	0.74%	1.75%
**PPI index of industrial commodities	-3.04%	-8.36%	-4.03%	0.68%
Average of above indexes	0.15%	-1.33%	-0.66%	1.14%
**PPI index of finished goods (indl/agric)	0.40%	-5.58%	-1.70%	1.64%
Silver/Wholesaler index of 13 lines (plmbg/htng	3.36%	2.42%	1.61%	2.63%
Electrical Marketing index of 24 product groups	-0.24%	2.20%	1.90%	0.80%
***NAED cost variance index: 16 product groups	1.60%	4.12%	3.49%	4.78%
Consumer Price Index, Seasonally adjusted	1.48%	-0.24%	1.77%	3.77%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on Bls unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column 9 of figures will be current year-to-date annualized.


Composite Index of 33 BLS Industrial price Indexes
Annualized inflation rate by quarters from 12/81 through 3/86
Rate of Inflation
14%
12%
10%
8%
6%
4%
2%
0%
Quarterly % changes annualized
Full year average % change
4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th
1981 1982 1983 1984 1985 1986
QUARTERS
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ID's QUARTERLY INFLATION INDEX-2nd QUARTER 1986

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	**Current qtr. 6/86**	**Previous qtr. 3/86**	**% Inflation current qtr.**	**Current qtr. annualized %**	**Year-to-date 6/86 vs 12/85 %**	**Year-to-date 6/86vs 12/85 annualized %**	**Last 12 months**	**4th qtr. 85**	**4th qtr. 84**	**Annual inflation 85 %**
[5]Lubricating oils	99.9	102.3	-2.35	-9.40	1.63	3.26	--	98.3	372.7	--
Prepared paint	281.2	280.0	0.43	1.72	1.01	2.02	1.15	278.4	277.3	0.40
*Rubber belts & belting	337.4	337.5	-0.03	-0.12	0.30	0.60	-5.09	336.4	344.5	-2.35
Other misc. rubber products	310.9	304.8	2.00	8.00	3.81	7.62	3.63	299.5	304.3	-1.58
Plastic construction products	155.7	159.2	-2.20	-8.80	-0.06	-0.12	-4.30	155.8	168.8	-7.70
Semi-finished steel products	366.6	367.6	-0.27	-1.08	-0.87	-1.74	-1.66	369.8	373.0	-0.86
Wire & cable	206.5	206.5	0.00	0.00	0.58	1.16	1.82	205.3	201.2	2.04
[2]Electric wire & cable	105.2	103.4	1.74	6.96	1.64	3.28	1.94	103.5	103.6	-0.10
[2]Building wire & cable	100.5	102.2	-1.66	-6.64	1.11	2.22	6.24	99.4	97.8	1.64
Builders hardware	314.2	312.7	0.48	1.92	0.93	1.86	1.75	311.3	302.8	2.81
*Hand tools	383.3	382.2	0.29	1.16	1.27	2.54	2.54	378.5	365.5	3.56
*Misc. metal products	301.3	303.6	-0.76	-3.04	-0.36	-0.72	-0.40	302.4	301.6	0.27
[1]Industrial safety equipment	156.2	148.5	5.19	20.76	8.02	16.04	9.00	144.6	139.6	3.58
*Bolts, nuts, screws & rivets (fasteners)	277.2	275.4	0.65	2.60	0.40	0.80	0.22	276.1	280.0	-1.39
*Power-driven hand tools	238.9	235.9	1.27	5.08	1.62	3.24	3.29	235.1	226.6	3.75
Welding machines & eq.	300.9	299.2	0.57	2.28	1.28	2.56	2.70	297.1	285.1	4.21
*Cutting tools & accessories	291.5	289.8	0.59	2.36	1.43	2.86	1.96	287.4	283.3	1.45
Precision measuring tools	268.0	268.3	-0.11	-0.44	1.09	2.18	1.79	265.1	254.9	4.00
*Abrasive products	319.7	313.2	2.08	8.32	1.95	3.90	0.79	313.6	308.1	1.79
Metal cutting machine tools	403.1	399.1	1.00	4.00	2.02	4.04	1.56	395.1	394.7	0.10
Metal forming machine tools	439.6	438.4	0.27	1.08	0.55	1.10	1.34	437.2	428.7	1.98
Pumps, compressors & eq.	361.1	357.9	0.89	3.56	0.45	0.90	1.40	359.5	352.2	2.07
Fluid power eq	268.2	266.7	0.56	2.24	0.98	1.96	1.75	265.6	261.8	1.45
*Industrial material handling eq.	295.9	295.3	0.20	0.80	-0.03	-0.06	0.34	296.0	292.2	1.30
*Mechanical power transmission eq.	343.6	342.2	0.40	1.64	1.36	2.72	1.15	339.0	330.8	2.48
[2]*Metal valves, (except fluid power)	106.6	106.2	0.38	1.52	0.38	0.76	1.62	105.3	102.8	2.43
[2]*Metal pipe fittings	107.4	111.8	-3.94	-15.76	-2.01	-4.02	-2.54	109.6	109.0	0.55
Ball & roller bearings	365.0	354.2	3.05	12.20	3.34	6.68	3.19	353.2	344.5	2.53
[4]Plain bearings	96.9	101.1	-4.15	-16.60	-4.15	-8.30	-3.87	101.1	262.2	--
Wiring devices	373.5	372.7	0.21	0.84	2.55	5.10	3.61	364.2	362.0	0.61
Integrating & Measuring Instruments	235.3	234.8	0.21	0.84	1.12	2.24	0.94	232.7	230.8	0.82
[3]Electric motors	108.3	107.8	0.46	1.84	-0.09	-0.18	-0.28	108.4	105.3	2.94
[3]Generators & generator sets	111.1	107.9	2.97	11.88	3.35	6.70	4.03	107.5	102.8	4.57
Silver/ID composite	304.9	303.9	0.32	1.26	1.11	2.22	1.30	301.4	297.3	1.41
*NIDA/SIDA composite	315.2	313.4	0.56	2.24	1.08	2.16	0.74	311.8	306.5	1.76

*Included in NIDA/SIDA composite

[1] 6/78 = 100 [2] 12/82 = 100 [3] 6/83 = 100 [4] 12/84 = 100 [5]6/85 = 100

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